

Message Text

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TO AMEMBASSY BANGKOK

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E.O. 11652:N/A

TAGS: ECON, EMIN

SUBJ: GSA STOCKPILE TUNGSTEN DISPOSALS

REF: A. BANGKOK 4641, B. STATE 121890

1. REFTEL B INFORMED BANGKOK AND OTHER POSTS OF CONSULTATIONS HELD IN DEPARTMENT EARLY JUNE WITH THAI AND OTHER FOREIGN EMBASSY REPS ON USG PROPOSAL TO DISPOSE OF TOTAL OF TEN MILLION POUNDS OF TUNGSTEN (ALL FORMS) FROM GSA STOCKPILE DURING FY 1975. PROPOSAL REPRESENTED AN INCREASE OVER THE SIX MILLION LB FY 1974 DISPOSAL PROGRAM, AND WAS BASED ON STRONG DEMAND FOR TUNGSTEN, AS EVIDENCED BY SHARPLY HIGHER TUNGSTEN PRICES SINCE BEGINNING OF 1974, WHICH INDICATE THAT ANY INVENTORY HANGOVERS REMAINING FROM LARGE GSA TUNGSTEN SALES IN 1969-70 HAVE PROBABLY BEEN WORKED OFF. SINCE HOLDING OF CONSULTATIONS, LONDON TUNGSTEN PRICES HAVE SOFTENED SLIGHTLY, BUT REMAIN WELL ABOVE PRICES AT BEGINNING OF THIS YEAR. (JUNE 27 LME QUOTATION AS REPORTED BY "METALS WEEK" WAS 88.86-94.28 DOLLARS PER STU).

2. GOT REACTION TO CONSULTATIONS, CONVEYED BY THAI EMBASSY
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NOTE OF JUNE 17, WAS THAT 10 MILLION LB RATE FOR FY 1975

TOO HIGH. ACCORDINGLY, GOT REQUESTED REDUCTION OF FY 1975 DISPOSAL RATE TO THE 6 MILLION LB RATE IN EFFECT FOR FY 1974; ALSO THAT USG IMMEDIATELY HALT AND REVIEW SALES IN EVENT OF "PRECIPITIOUS" DECLINE IN TUNGSTEN PRICES.

3. AS RESULT OF CONSULTATIONS WITH GOT AND OTHER LEADING TUNGSTEN PRODUCER GOVERNMENTS, USG HAS MODIFIED FY 1975 DISPOSAL PROGRAM AS FOLLOWS: INSTEAD OF SETTING 10 MILLION LB RATE FOR ENTIRE FY 1975, GSA WILL CONTINUE TO OFFER TUNGSTEN AT SAME MONTHLY RATE AS FOR LAST TWO MONTHS OF FY 1974 (APPROXIMATELY 850,000 LBS PER MONTH) FOR REMAINDER OF CY 1974. TOWARD END OF THIS YEAR, USG WILL AGAIN REVIEW TUNGSTEN MARKET (INCLUDING CONSULTATIONS WITH GOT AND OTHER GOVERNMENTS) BEFORE SETTING DISPOSAL RATE FOR SECOND HALF OF FY 1975.

4. THAI EMBASSY HAS BEEN ADVISED OF MODIFIED FY 1975 DISPOSAL PROGRAM OUTLINED PARA THREE ABOVE. THAI EMBASSY APPEARED PLEASED TO HEAR THAT FY 1975 PROGRAM WOULD BE ESTABLISHED FOR SIX MONTHS AND THEN RE-EXAMINED.

5. FY 1974 TUNGSTEN DISPOSALS TOTALED 5,711,000 LBS, AGAINST ANNOUNCED PROGRAM OF 6 MILLION LBS. OFFERINGS, WHICH BEGAN IN OCTOBER 1973, WERE AT RATE OF 500,000 PER MONTH UNTIL APRIL, WHEN MONTHLY OFFERING WAS INCREASED TO 650,000 LBS. MAY AND JUNE OFFERINGS WERE ALSO INCREASED, TO 850,000 LBS. SISCO

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